



grading permit is issued, or a building permit if no grading permit is necessary. In addition, some of the agencies providing water and sewer system services listed above also provide for drainage systems. In more rural areas, drainage is primarily provided by surface systems and connection to improved systems not warranted.

Circulation

Current transportation conditions are directly related to a combination of economic events and social changes that have occurred over the past two decades. Residential and industrial land in Los Angeles, Orange and San Diego Counties are nearing saturation. As a result, development has spread outward to Riverside County as it is the next region with undeveloped acreage. The County is growing from a collection of small cities and unincorporated communities with a largely agrarian base to an area with multiple centers of economic activity and a large tourism base. The rapid growth in employment and population has increased the number of trips on the freeway and arterial highway systems. This intense travel demand has reduced level of service on significant portions of the system, causing severe congestion and low travel speeds during peak travel hours in the rapidly developing Western Riverside County and portions of the Coachella Valley.

One of the most visible effects of rapid growth has been in the circulation system. The ability to move on streets and highways is projected by regional planning agencies and Caltrans to become substantially worse as more traffic is generated and the ability to finance improvements is uncertain. While additional facilities are needed, the majority of funding for roads and highways is now being spent on maintenance. As a result, developers are often required to install the needed roadway system upgrades to accommodate development and growth, which significantly adds to the costs of the project and is subsequently passed on the homeowner, renter or property owner.

Land Costs

Land costs are one of the major components of housing development costs. Land prices vary to such an extent that it is difficult to give average prices within small geographic regions. Factors affecting the costs of land include overall availability within a given subregion; environmental site conditions and constraints; public service and infrastructure availability; aesthetic considerations such as views, terrain and vegetation; the proximity to urban areas; and parcel size. Generally, more remote areas have less expensive land available and larger tracts of land, while smaller, more expensive parcels are located closer to urbanized areas.

Table H-40 illustrates the raw land costs for a hypothetical 100-unit development of single family detached housing units throughout Riverside County. The data indicates that the cost for a 7,200 square foot lot of raw land ranges from \$6,120 to \$38,150, while a finished lot is valued from \$39,120 to \$78,150. Assuming a density of four units per acre, the value per gross acre (includes four lots plus necessary infrastructure such as roads, sidewalks, and right-of-ways) ranges from \$24,480 to \$152,600.



**Table H-40
Land and Construction Cost Analysis**

Cost Factor ¹	Area									
	Northwest	%	Southwest	%	Central West	%	Pass	%	Coachella Valley	%
Average Sales Price	\$215,000	100%	\$200,000	100%	\$138,000	100%	\$138,000	100%	\$260,000	100%
Average Square Feet	2,300 sq. ft.	--	2,300 sq. ft.	--	1,700 sq. ft.	--	1,640 sq. ft.	--	2,250 sq. ft.	--
Cost per Square Foot	\$38/sq. ft.	--	\$38/sq. ft.	--	\$33/ sq. ft.	--	\$34/sq. ft.	--	\$45/sq. ft.	--
Direct Construction	-\$87,400	41%	-\$87,400	44%	-\$56,100	41%	-\$55,760	40%	-\$101,250	39%
Indirect Construction	-\$8,600	4%	-\$8,000	4%	-\$5,520	4%	-\$5,520	4%	-\$10,400	4%
Marketing	-\$8,600	4%	-\$8,000	4%	-\$5,520	4%	-\$5,520	4%	-\$10,400	4%
Selling/Closing Costs	-\$6,450	3%	-\$6,450	3%	-\$4,140	3%	-\$4,140	3%	-\$7,800	3%
Finance	-\$15,050	7%	-\$14,000	7%	-\$9,660	7%	-\$9,660	7%	-\$18,200	7%
Builder Overhead	-\$6,450	3%	-\$6,000	3%	-\$4,140	3%	-\$4,140	3%	-\$7,800	3%
Profit	-\$21,500	10%	-\$20,000	10%	\$13,800	10%	\$13,800	10%	-\$26,000	10%
Finished Lot Value	\$60,950	28%	\$50,600	25%	\$39,120	28%	\$39,460	29%	\$78,150	30%
Fees	-\$23,000	11%	-\$20,000	10%	-\$18,000	13%	-\$18,000	13%	-\$20,000	8%
Grading/Infrastructure	-\$15,000	7%	-\$15,000	7%	-\$15,000	11%	-\$15,000	11%	-\$20,000	8%
Raw Land Value	\$22,950	10%	\$15,600	8%	\$6,120	4%	\$6,460	5%	\$38,150	14%
Value per Square Foot ²	\$3.19	--	\$2.17	--	\$0.85	--	\$0.90	--	\$5.30	--
Value per Gross Acre ³	\$91,800	--	\$62,400	--	\$24,480	--	\$25,840	--	\$152,600	--

¹ per unit

² Assumes 7,200 sq. ft. lot

³ Assumes 4 lots per acre

Source: Market Profiles

Rising costs of land are often related to the limited availability of buildable land. In Riverside County, which has the largest expanses of buildable land, this has not historically been considered a problem. In fact, much of the recent development pressure in the County has been attributed to lower land costs relative to surrounding Orange and Los Angeles County land prices. There are areas within the County where land prices are increasing rapidly, however, particularly in areas close to larger cities such as Riverside and Palm Springs. Rising land costs tend to directly increase housing costs. Developers may respond to this situation by decreasing the size of lots and houses in order to market a lower priced product, or by increasing the size and options of houses in an effort to keep a balance between land costs and the price of a house.

Construction Costs

The cost of construction depends primarily on the cost of materials and labor, which are influenced by market demand. The cost of construction will also depend on the type of unit being built and on the quality of product being produced. Labor saving materials and construction techniques are available but tend to reduce the quality of the finished product. The cost of labor is based on a number of factors, including housing demand, the number of contractors in the area and the unionization of workers. Labor cost is usually two to three times the cost of materials, thus, the cost of labor represents an estimated 17% to 20% of the cost of building a unit.

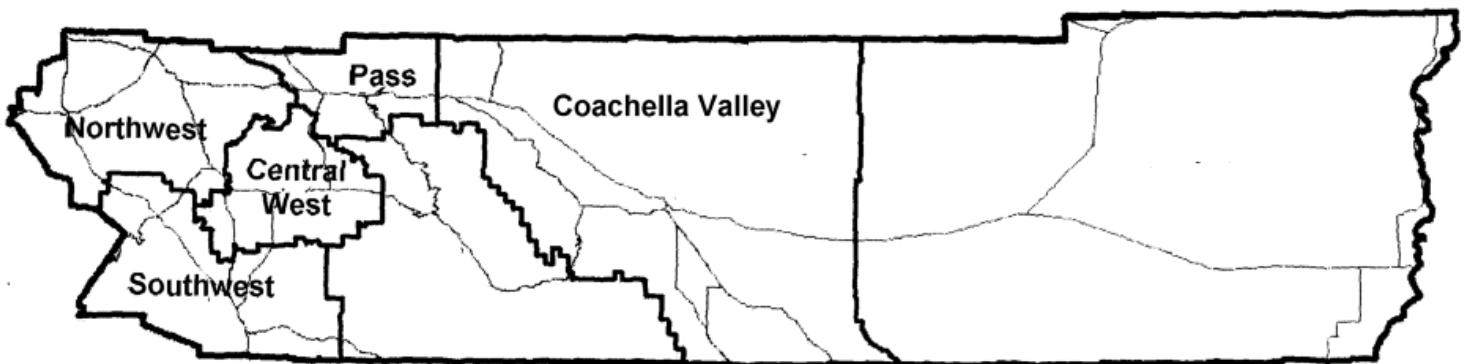


Figure H-1 - Land and Construction Cost Analysis Areas, Riverside County

The preceding Table H-40 lists the overall development costs per unit, inclusive of: land; infrastructure improvements; materials; labor; construction financing; and indirect costs/assessment fees, for a hypothetical 100-unit project. The data indicates that construction costs can constitute 43% to 48% of the cost of a single family detached housing unit. These figures are even more impressive considering that the cost of raw land constitutes only 4% to 14% of the cost of a housing unit.

The construction cost of housing affects the affordability of new housing and may be considered a constraint to affordable housing in the Riverside area. A reduction in the construction costs can be brought about in several ways. A reduction in amenities and quality of building materials in new homes (still above the minimum acceptability for health, safety, and adequate performance)